

AMENDED IN ASSEMBLY AUGUST 1, 2016

AMENDED IN SENATE APRIL 18, 2016

SENATE BILL

No. 1076

Introduced by Senator Hernandez

February 16, 2016

An act to amend Section ~~128740~~ 128765 of, and to add Section 1253.7 to, the Health and Safety Code, relating to health care.

LEGISLATIVE COUNSEL'S DIGEST

SB 1076, as amended, Hernandez. General acute care hospitals: observation services.

(1) Existing law establishes the State Department of Public Health and sets forth its powers and duties, including, but not limited to, the licensing and regulation of health facilities, including, but not limited to, general acute care hospitals. A violation of these provisions is a crime.

Existing law authorizes the department to issue a special permit authorizing a health facility to offer one or more special services when specified requirements are met. Existing law requires general acute care hospitals to apply for supplemental services approval and requires the department, upon issuance and renewal of a license for certain health facilities, to separately identify on the license each supplemental service.

This bill would require a general acute care hospital that provides observation services, as defined, to comply with the same licensed nurse-to-patient ratios as supplemental emergency services, as specified. The bill would require that a patient receiving observation services receive written notice, as prescribed, that his or her care is being provided on an outpatient basis, which may affect the patient's health coverage reimbursement. The bill would require observation units to

be identified with specified signage, and would clarify that a general acute care hospital providing services described in the bill would not be exempt from these requirements because the hospital identifies those services by a name or term other than that used in the bill. Because a violation of these provisions by a health facility would be a crime, the bill would impose a state-mandated local program.

~~(2) Existing law requires a hospital to report specified summary financial and utilization data to the Office of Statewide Health Planning and Development (OSHPD) within 45 days of the end of every calendar quarter.~~

~~This bill would require hospitals to include certain data relating to observation service visits and total observation service gross revenues in the reports filed with OSHPD.~~

(2) Existing law, the Health Data and Advisory Council Consolidation Act, requires every organization that operates, conducts, or maintains a health facility to make and file with the Office of Statewide Health Planning and Development (OSHPD) specified reports containing various financial and patient data. Existing law requires OSHPD to maintain a file of those reports in its Sacramento office and to compile and publish summaries of individual facility and aggregate data that do not contain patient-specific information for the purpose of public disclosure.

This bill would require OSHPD to include summaries of observation services data, upon request, in the data summaries maintained by OSHPD under the act.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 1253.7 is added to the Health and Safety
- 2 Code, to read:
- 3 1253.7. (a) For purposes of this chapter, “observation services”
- 4 means outpatient services provided by a general acute care hospital
- 5 and that have been ordered by a provider, to those patients who

1 have unstable or uncertain conditions potentially serious enough
2 to warrant close observation, but not so serious as to warrant
3 inpatient admission to the hospital. Observation services may
4 include the use of a bed, monitoring by nursing and other staff,
5 and any other services that are reasonable and necessary to safely
6 evaluate a patient's condition or determine the need for a possible
7 inpatient admission to the hospital.

8 (b) When a patient in an inpatient unit of a hospital or in an
9 observation unit, as defined in subdivision (c), is receiving
10 observation services, or following a change in a patient's status
11 from inpatient to observation, the patient shall receive written
12 notice, as soon as practicable, that he or she is on observation
13 status. The notice shall state that while on observation status, the
14 patient's care is being provided on an outpatient basis, which may
15 affect his or her health care coverage reimbursement.

16 (c) For purposes of this chapter, "observation unit" means an
17 area in which observation services are provided in a setting outside
18 of any inpatient unit and that is not part of an emergency
19 department of a general acute care hospital. A hospital may
20 establish one or more observation units that shall be marked with
21 signage identifying the observation unit area as an outpatient area.
22 The signage shall use the term "outpatient" in the title of the
23 designated area to indicate clearly to all patients and family
24 members that the observation services provided in the center are
25 not inpatient services. Identifying an observation unit by a name
26 or term other than that used in this subdivision does not exempt
27 the general acute care hospital from compliance with the
28 requirements of this section.

29 (d) Notwithstanding subdivisions (d) and (e) of Section 1275,
30 an observation unit shall comply with the same licensed
31 nurse-to-patient ratios as supplemental emergency services. This
32 subdivision is not intended to alter or amend the effect of any
33 regulation adopted pursuant to Section 1276.4 as of the effective
34 date of the act that added this subdivision.

35 ~~SEC. 2. Section 128740 of the Health and Safety Code is~~
36 ~~amended to read:~~

37 ~~128740. (a) Commencing with the first calendar quarter of~~
38 ~~1992, the following summary financial and utilization data shall~~
39 ~~be reported to the office by each hospital within 45 days of the~~
40 ~~end of every calendar quarter. Adjusted reports reflecting changes~~

1 as a result of audited financial statements may be filed within four
2 months of the close of the hospital's fiscal or calendar year. The
3 quarterly summary financial and utilization data shall conform to
4 the uniform description of accounts as contained in the Accounting
5 and Reporting Manual for California Hospitals and shall include
6 all of the following:

- 7 (1) ~~Number of licensed beds.~~
- 8 (2) ~~Average number of available beds.~~
- 9 (3) ~~Average number of staffed beds.~~
- 10 (4) ~~Number of discharges.~~
- 11 (5) ~~Number of inpatient days.~~
- 12 (6) ~~Number of outpatient visits, excluding observation service~~
13 ~~visits.~~
- 14 (7) ~~Number of observation service visits and number of hours~~
15 ~~of services provided.~~
- 16 (8) ~~Total operating expenses.~~
- 17 (9) ~~Total inpatient gross revenues by payer, including Medicare,~~
18 ~~Medi-Cal, county indigent programs, other third parties, and other~~
19 ~~payers.~~
- 20 (10) ~~Total outpatient gross revenues by payer, including~~
21 ~~Medicare, Medi-Cal, county indigent programs, other third parties,~~
22 ~~and other payers.~~
- 23 (11) ~~Total observation service gross revenues by payer,~~
24 ~~including Medicare, Medi-Cal, county indigent programs, other~~
25 ~~third parties, and other payers.~~
- 26 (12) ~~Deductions from revenue in total and by component,~~
27 ~~including the following: Medicare contractual adjustments,~~
28 ~~Medi-Cal contractual adjustments, and county indigent program~~
29 ~~contractual adjustments, other contractual adjustments, bad debts,~~
30 ~~charity care, restricted donations and subsidies for indigents,~~
31 ~~support for clinical teaching, teaching allowances, and other~~
32 ~~deductions.~~
- 33 (13) ~~Total capital expenditures.~~
- 34 (14) ~~Total net fixed assets.~~
- 35 (15) ~~Total number of inpatient days, outpatient visits excluding~~
36 ~~observation services, observation services, and discharges by payer,~~
37 ~~including Medicare, Medi-Cal, county indigent programs, other~~
38 ~~third parties, self-pay, charity, and other payers.~~

1 ~~(16) Total net patient revenues by payer including Medicare,~~
2 ~~Medi-Cal, county indigent programs, other third parties, and other~~
3 ~~payers.~~

4 ~~(17) Other operating revenue.~~

5 ~~(18) Nonoperating revenue net of nonoperating expenses.~~

6 ~~(b) Hospitals reporting pursuant to subdivision (d) of Section~~
7 ~~128760 may provide the items in paragraphs (8), (9), (10), (12),~~
8 ~~(16), and (18) of subdivision (a) on a group basis, as described in~~
9 ~~subdivision (f) of Section 128760.~~

10 ~~(c) The office shall make available to any person, at cost, a hard~~
11 ~~copy of any hospital report made pursuant to this section and in~~
12 ~~addition to hard copies, shall make available at cost, a computer~~
13 ~~tape of all reports made pursuant to this section within 105 days~~
14 ~~of the end of every calendar quarter.~~

15 ~~(d) The office shall adopt guidelines, by regulation, for the~~
16 ~~identification, assessment, and reporting of charity care services.~~
17 ~~In establishing the guidelines, the office shall consider the~~
18 ~~principles and practices recommended by professional health care~~
19 ~~industry accounting associations for differentiating between charity~~
20 ~~services and bad debts. The office shall further conduct the onsite~~
21 ~~validations of health facility accounting and reporting procedures~~
22 ~~and records as are necessary to ensure that reported data are~~
23 ~~consistent with regulatory guidelines.~~

24 ~~SEC. 2. Section 128765 of the Health and Safety Code is~~
25 ~~amended to read:~~

26 128765. (a) The office shall maintain a file of all the reports
27 filed under this chapter at its Sacramento office. Subject to any
28 rules the office may prescribe, these reports shall be produced and
29 made available for inspection upon the demand of any person, and
30 shall also be posted on its Web site, with the exception of discharge
31 and encounter data that shall be available for public inspection
32 unless the office determines, pursuant to applicable law, that an
33 individual patient's rights of confidentiality would be violated.

34 (b) The reports published pursuant to Section 128745 shall
35 include an executive summary, written in plain English to the
36 maximum extent practicable, that shall include, but not be limited
37 to, a discussion of findings, conclusions, and trends concerning
38 the overall quality of medical outcomes, including a comparison
39 to reports from prior years, for the procedure or condition studied
40 by the report. The office shall disseminate the reports as widely

1 as practical to interested parties, including, but not limited to,
2 hospitals, providers, the media, purchasers of health care, consumer
3 or patient advocacy groups, and individual consumers. The reports
4 shall be posted on the office's Internet Web site.

5 (c) Copies certified by the office as being true and correct copies
6 of reports properly filed with the office pursuant to this chapter,
7 together with summaries, compilations, or supplementary reports
8 prepared by the office, shall be introduced as evidence, where
9 relevant, at any hearing, investigation, or other proceeding held,
10 made, or taken by any state, county, or local governmental agency,
11 board, or commission that participates as a purchaser of health
12 facility services pursuant to the provisions of a publicly financed
13 state or federal health care program. Each of these state, county,
14 or local governmental agencies, boards, and commissions shall
15 weigh and consider the reports made available to it pursuant to the
16 provisions of this subdivision in its formulation and implementation
17 of policies, regulations, or procedures regarding reimbursement
18 methods and rates in the administration of these publicly financed
19 programs.

20 (d) The office shall compile and publish summaries of individual
21 facility and aggregate data that do not contain patient-specific
22 information for the purpose of public disclosure. *Upon request,*
23 *these shall include summaries of observation services data.* The
24 summaries shall be posted on the office's Internet Web site. The
25 office may initiate and conduct studies as it determines will
26 advance the purposes of this chapter.

27 (e) In order to assure that accurate and timely data are available
28 to the public in useful formats, the office shall establish a public
29 liaison function. The public liaison shall provide technical
30 assistance to the general public on the uses and applications of
31 individual and aggregate health facility data and shall provide the
32 director with an annual report on changes that can be made to
33 improve the public's access to data.

34 SEC. 3. No reimbursement is required by this act pursuant to
35 Section 6 of Article XIII B of the California Constitution because
36 the only costs that may be incurred by a local agency or school
37 district will be incurred because this act creates a new crime or
38 infraction, eliminates a crime or infraction, or changes the penalty
39 for a crime or infraction, within the meaning of Section 17556 of
40 the Government Code, or changes the definition of a crime within

1 the meaning of Section 6 of Article XIII B of the California
2 Constitution.

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